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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1940.

No. 725

CASCO PRODUCTS CORPORATION,
Petitioner,

vs.

SINKO TOOL AND MANUFACTURING COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

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CASCO PRODUCTS CORPORATION,
Petitioner,

vs.

SINKO TOOL AND MANUFACTURING COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioner, Casco Products Corporation, prays that a writ of certiorari should issue to review the decree of the United States Circuit Court of Appeals for the Seventh Circuit, entered December 6, 1940 (R. 628).

A certified transcript of the record in the case, including the proceedings in the Circuit Court of Appeals, is furnished herewith, in compliance with Rule 38 of the Rules of this Court.

Summary Statement of the Matter Involved.

This is a suit brought by petitioner against respondent for specific performance of an existing patent license agreement between the parties, dated February 17, 1934 (R. 200). The agreement relates to electric cigar lighters.

By Section 3 of the agreement respondent admitted the validity of the Letters Patent of the agreement and agreed that it would take no steps or proceedings to contest such validity during the continuance of the agreement.

The respondent supplied electric cigar lighters not only as automobile accessory equipment, which it had a right to do (if complying with the conditions of the license agreement), but later also supplied the lighters for use as standard factory equipment (R. 47), which respondent was obligated *not* to do by Section 9 of the agreement (R. 204) if the lighters embodied any of the constructions covered by claims of the licensed patents.

When respondent began supplying its cigar lighters in the prohibited field of standard factory equipment, this suit was brought, and respondent then denied that any of its cigar lighters (save a single relatively unimportant type identified as Exhibit 16) embodied any of the constructions covered by the licensed patents and ceased the payment of further royalties.

A preliminary injunction granted by the District Court was reversed by the Court of Appeals for the Seventh Circuit on the ground that there was not "clear proof of infringement and of appellant's inability to respond in damages," 89 Fed. (2d), 916, 921.

The case then proceeded to full trial by the District Court, which dismissed the bill on the record before it upon the ground that the Court of Appeals had settled the question of infringement on the appeal from the preliminary injunction (R. 256).

The petitioner appealed from this decree. The fundamental question before the Court of Appeals was whether the defendant's devices did, or did not, come within the scope of (or "infringe") any of the claims of the licensed patents, and hence be subject to the terms and conditions of

the license agreement. In determining this question, the main issue was how the prior art might be properly used.

On account of the license agreement and the specific covenant of Section 3 thereof (*supra*, p. 2), no question of patentability, that is, validity of the claims, could properly be involved.

It was undisputed that a licensee may properly refer to the prior art as an aid in construing the meaning and scope of the claims of a licensed patent. If so used, we submit, respondent could not escape its obligations under the license agreement, for, after giving full proper effect to the prior art, the claims of the patents fairly read on respondent's accused cigar lighters. But in the present instance the Court of Appeals "despite some trepidation" laid down what it termed a "corollary rule", to the effect that a licensee accused of making devices embodying constructions covered by a licensed patent without fulfilling its obligations under the license, could not only use the prior art as an aid to construing the claims of a licensed patent, but could also set up the defense that its devices merely followed the prior art "plus ordinary mechanical skill", and could thus escape "infringement" and its obligations under the agreement, even though these very changes from the prior art would bring the devices within the ordinary and clear meaning of the terms of the claims.

As expressed in the opinion (R. 616):

> "* * * In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, *plus ordinary mechanical skill,* then the mere fact that the device constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement. Our conception of our obligation, therefore, is that we must examine the prior art *not only* to determine the scope of plaintiff's invention *but also* to determine whether what is built by defendant springs entirely therefrom." (Emphasis ours.)

This petition seeks to have this Court review this novel doctrine enunciated by the Court of Appeals, that a defendant-licensee can escape the obligations of his agreement if he can succeed in showing that his device, although within the terms of the claims of the licensed patent, follows the prior art, *plus "mechanical skill"*, in distinction to *plus "invention."* According to the Court's decision, unless licensee's device embodies a change from the prior art which involves patentable "invention", he can escape his contractual obligations. This eliminates the estoppel to deny validity by permitting a defendant-licensee to raise the very same defense which is the issue of most infringement suits where no estoppel exists, namely, whether a certain change from the prior art involves mere "mechanical skill" (which would mean that the claim for such change is invalid), or "invention" (which would mean that the claim is valid). To consider "the skill of a mechanic" in connection with novelty, is to determine *patentable* novelty—that is, validity. This question is not open for the Court's determination, for the license agreement precludes the licensee from attacking validity.

It is to the interest of the public to know whether or not the "corollary rule," established by the Court of Appeals, is to become the law of the land. If a licensee is to be permitted, in spite of its expressed covenant to the contrary, to attack the validity of a patent by arguing the question as to what is and what is not invention, then the plaintiff licensor would be placed under the burden of establishing (as we believe could have been done in the present case) that the changes from the prior art toward the licensed patent *did* involve invention.

Under the circumstances of the present case and until the enunciation of this new doctrine by the Court of Appeals, a plaintiff licensor could not argue or present

evidence on the question of invention without stultifying its position that this question is not open for argument because of the estoppel.

If this Court should feel that the novel doctrine enunciated by the Court of Appeals is incorrect, we then seek an application of the correct doctrine to the facts of this case.

Jurisdiction.

1. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. Sec. 347).

2. The date of the decree which petitioner seeks to have reviewed is December 6, 1940 (R. 628).

3. The petition for rehearing was denied December 31, 1940 (R. 629).

Questions Presented.

The decision of the Court of Appeals presents the following questions:

1. Whether in the case of an existing license agreement in which the licensee is estopped from denying the validity of the licensed patent, the prior art may be used to show that licensee's device follows the prior art *plus the exercise of mechanical skill* when the departure from the prior art brings the device within the terms of the claims of the licensed patent, thus raising the issue whether such departure from the prior art involves "mechanical skill" or "invention", and hence, in full effect, whether claims of the licensed patent are valid.

2. Whether with the proper use of the prior art solely as an aid in construing the scope of the claims of the licensed patents, respondent's specific devices involved in this case come within the scope of such claims.

Reasons for Granting the Writ.

The discretionary power of this Court to grant a writ of certiorari is invoked upon the following reasons:

1. That an important question of Federal Law which has not been settled, but should be settled, by this Court is presented: In a suit against a defendant estopped to deny the validity of a patent, may such defendant not only use the prior art to construe the scope of the claims, as approved in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, but also take the position that he escapes the effect of the estoppel and his liability under the license agreement on the ground that his devices, although coming within the scope of the claims (and their very terms), follow the prior art *plus "mechanical skill,"* thus putting in issue the question as to whether the departure from the prior art involves mechanical skill or invention?

2. That the decision of the Court of Appeals in this case is in apparent conflict with the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, on the question as to the proper use of the prior art by a defendant estopped to deny the validity of the patent in suit.

3. That the Court of Appeals misinterpreted the proper effect of the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342. Under similar circumstances, certiorari was granted by this Court in *The Schriber-Schroth Co.* v. *The Cleveland Trust Co.*, decided December 9, 1940, 47 U. S. P. Q., 345, 347.

4. That the decision of the Court of Appeals is in conflict with the decision of another Court of Appeals (such as the decision of the Court of Appeals for the First Circuit in *West* v. *Premier Register Table Co.*, 27 Fed. (2d), 653), in its interpretation of the effect of the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342.

5. That the question here involved is one of general application, and is of vital importance to all licensors and licensees of patents and to the public generally, since the decision of the Court of Appeals, unless modified by this Court, would act, we submit, as an unsound precedent to allow a licensee estopped from denying the validity of the licensed patent, to attack such validity indirectly by asserting that licensee's device follows the prior art, *plus "mechanical skill."* To allow a licensee to raise such a defense would be against public policy on account of discouraging patent owners from granting licenses, since there would be no proper consideration for granting the licensee immunity from infringement suits while still leaving the licensee free to indirectly attack the validity of the licensed patent.

WHEREFORE, it is respectfully submitted that the petition for writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit should be granted.

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THOMAS J. BYRNE,
Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, was filed July 5, 1939 (R. 255). It is not reported in the Federal Supplement, but only in 42 U. S. P. Q., 498.

The opinion of the Circuit Court of Appeals for the Seventh Circuit was filed December 6, 1940 (R. 614). It has not yet been reported in the Federal Reporter, but only in 47 U. S. P. Q., 484. The latter part of the opinion also deals with Appeals No. 7262 and 7263, which are not pertinent in connection with the present petition.

In addition to the above opinions, which are included in the record before this Court, the opinion of the District Court granting the motion for preliminary injunction was filed September 26, 1936, but is unreported.

The opinion of the Court of Appeals reversing the decision of the District Court on motion for preliminary injunction was filed May 13, 1937, and reported 89 Fed. (2d), 916.

Jurisdiction.

Note petition (*supra*, p. 5).

Statement of the Case.

The essential facts and issues of the case are stated in the accompanying Petition for Writ of Certiorari, and in the interest of brevity are not repeated here.

Specification of Errors.

The errors which petitioner will urge if the writ of certiorari is issued are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. By holding that in the case of a licensee-defendant estopped to deny the validity of the patents under which it is licensed, the prior art may be used to present the defense that licensee's devices are not subject to the obligations of the license (although within the terms and scope of the claims), on the ground that such devices follow the prior art "plus ordinary mechanical skill."

2. By failing to hold that a licensee's estoppel precludes such licensee from urging that changes from the prior art which bring a device within the terms of the claims of the licensed patent, do not involve patentable novelty, that is "invention."

3. By failing to properly interpret the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342.

4. By failing to properly use the prior art solely as an aid in construing the scope of the claims of the licensed patents.

5. By failing to hold that the devices involved in the present suit embody the novel constructions set forth in various claims of the patents of the license agreement of February 17, 1934.

Summary of Argument.

1. A defendant-licensee estopped from denying the validity of a patent under which it is licensed is precluded from setting up the defense that its devices follow the prior art *plus "mechanical skill,"* because defendant-licensee is estopped from alleging that the change from the prior art which brings its devices within the terms of the claims does not involve "invention."

2. If the novel doctrine enunciated by the Court of Appeals is correct, the fundamental basis on which a licensor grants a license would be defeated by allowing the licensee (contrary to its expressed covenant in the present case) to indirectly attack the validity of the patent at any time when such licensee might consider it expedient so to do. This would discourage the granting of licenses, to the detriment of the public.

3. The decision of the Court of Appeals fails to correctly interpret the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, and is in conflict with the decision of another Court of Appeals.

4. In the present case the Court of Appeals not only announced a novel — and we believe — incorrect doctrine highly prejudicial to the rights of a licensor and contrary to the public interest, but applied this doctrine to the facts of the present case so that by failing to properly use the prior art solely as an aid to construe the scope of the claims, the defendant-licensee was freed from its obligations under the license agreement of February 17, 1934.

ARGUMENT.

Point 1.

It is undisputed that where there is estoppel to deny the validity of a patent the prior art may be referred to as an aid to construing the scope of the claims.

As stated in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, 351:

> "* * * Of course, the state of the art cannot be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity."

Had this rule been followed in the present case, it is submitted that the proper decision would have been in favor of petitioner, for the prior art did not so limit the claims that respondent's devices would be outside of the scope of such claims.

The Court of Appeals, however, followed its "corollary rule", to the effect that an estopped defendant, such as an assignor or licensee, is at liberty to show that it can escape its contractual obligations if its devices, although coming within the terms of the claims, follow the prior art "plus ordinary mechanical skill".

This is equivalent to saying that the features embodied in the defendant's devices, and which distinguish them from the prior art and are material elements of the licensor's patent claims, must spell "invention" over the prior art, rather than being the result of mere "mechanical skill".

For an estopped licensee to be permitted to raise such an issue is to allow indirectly an attack upon the validity of the patent, and is, we submit, contrary to the holding in

Westinghouse Co. v. *Formica Co.*, 266 U. S., 342, although the question in the present case was not specifically presented in the *Formica* case. In the latter this Court stated, however (p. 349):

> "* * * The rule supported by them" (previous decisions) "is that an assignor of a patent right" (like a licensee under a patent right) "is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant. As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use."

In the *Formica* case an assignor had assigned a patent application directed particularly to a process for making composite electric insulation material, in which a two-step process was used, to wit: first, the application of heat and pressure to the superposed sheets of material and cooling them; and, second, the baking of them under a lower pressure (p. 344).

After the assignment of the application and without the knowledge of the assignor, certain additional claims, numbered 11 and 12, were added, which did not specifically recite the two-step process.

The patent application (p. 346) had pointed out that the process could be used for making articles of various shapes, which might be flat ("planiform") or of other shape ("non-planiform") thus clearly indicating the equivalency of "planiform" and "non-planiform" articles.

The prior art showed that the steps of the process as literally described in Claims 11 and 12 were old (pp. 346, 347).

Discussing the O'Conor patent in suit, this Court stated (p. 354):

> "He proposed to achieve his purpose by use of paper or cardboard, which was old for such purpose, by

a binder of bakelite or phenol and formaldehyde, also well known for such use, by hydraulic pressure of 800 lbs. and steam heat, followed by cooling and then by baking in an oven at high heat and low pressure. *There was indeed nothing new in O'Conor's invention but the two-step of pressure and heat, cooling and baking. If this two-step process was new, and the estoppel requires us to hold as against O'Conor that it was,* his assignee had a right to claim the application of it as new, not only to flat articles of composition but also to non-planiform articles as in the 11th and 12th claims; for though O'Conor had not made such a claim, his original specification foreshadowed it as reasonable. *In view of the art, however, it is very clear that the 11th and 12th claims must be read to include as an essential element of the combination therein claimed, the two-step process. Without this, there was nothing new in them in the field to which they applied.*" (Emphasis ours.)

It is therefore clear that the Court considered that everything save the two-step process was old in this very art, and that since this was the sole new feature and had been set forth specifically in other claims of the O'Conor patent which were made before the assignment, the added claims must be construed to include the two-step process. As thus construed, it was held that the claims did not cover the one-step process used by defendant.

There is nothing in the *Westinghouse* v. *Formica* decision to the effect that the claims would not cover the two-step process if (for example) the defendant had used this, and could show that it involved mere "mechanical skill" over the prior art.

On the other hand, the decision specifically states (p. 354):

> "* * * If this two-step process was new, and *the estoppel requires us to hold as against O'Conor that it was* * * *"

In effect the *Westinghouse* v. *Formica* decision holds that the estoppel required the Court to hold that the novel two-

step process in the combination could be nothing but *patentably* new, as otherwise the validity of the patent itself would, of course, be open to attack.

The Court of Appeals by its so-called "corollary rule" made a novel decision by holding that an estopped defendant could escape its contractual obligations on the basis that its devices followed the prior art *plus "mechanical skill"*. This we submit is fundamentally unsound, since the estoppel, as indicated in *Westinghouse* v. *Formica,* requires a holding that the change from the prior art to the construction of the patent constitutes *patentable* novelty. The defense that this change involved mere mechanical skill is not open to a defendant estopped to deny validity.

Point 2.

If the novel doctrine enunciated by the Court of Appeals, by which a licensee is allowed to indirectly attack the validity of a patent under which it is licensed by urging that its devices follow the prior art *plus "mechanical skill"*, is correct and followed, it is submitted that this would have a disastrous and wide-spread effect in the conduct of business involving patent licenses.

In the case of existing licenses, the licensee might simply refuse to pay royalty and then defend on the ground that his devices merely followed the prior art "plus ordinary mechanical skill", and if successful in such a defense the licensee would have received immunity from patent infringement suits while at the same time failing to perform its own obligations under the license agreement. If unsuccessful in its defense, the licensee would merely have to live up to the terms of the agreement.

As to the future, if a licensee is to be allowed to play fast and loose with his obligations, a patent owner faced with the prospect of having to defend his patent against

attack by his licensee, would justifiably refuse to grant any license at all. The beneficial effect of settling questions of validity and avoiding litigation by granting licenses is "a legitimate and desirable result in itself", as held in *Bement* v. *National Harrow Co.*, 186 U. S., 70, 93. In addition, licenses give the public the benefit of having a larger number of sources of supply, another desirable result. There would certainly be no encouragement to a patent owner to grant a license and give immunity from infringement suits if the licensee would have open to him an indirect attack upon validity on the ground that his devices followed the prior art *plus "mechanical skill"*.

It is therefore submitted that the doctrine enunciated by the Court of Appeals for the Seventh Circuit would be highly detrimental to the public interest.

Point 3.

Under our discussion of Point 1, we have considered in some detail the decision of this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342. For the reasons there stated, it is submitted that the "corollary rule" of the Court of Appeals incorrectly interprets the effect of the decision of this Court in that case.

In *Schriber-Schroth Co.* v. *The Cleveland Trust Co.*, decided December 9, 1940, 47 U. S. P. Q., 345, 347, this Court granted the writ of certiorari under similar circumstances. As stated in the decision (p. 347):

> "We granted certiorari, 309 U. S. 648, on a petition which raised, among others, the question whether the Court of Appeals had misinterpreted or unduly limited this Court's earlier decision in this case and its decision in *Permutit Co.* v. *Graver Corp.* * * *"

The effect of the "corollary rule" of the Court of Appeals is also in conflict with the decision of another Court of Appeals, such as *West* v. *Premier Register Table Co.* (C. C. A. 1), 27 Fed. (2d), 653.

In that case a defendant-assignor, estopped to deny validity, manufactured a printing table having features specifically different from those disclosed in the patent. These features were in themselves old as shown in separate prior art patents, and in seeking to obtain a holding of non-infringement the defendant evidently took the position in effect that it merely followed the prior art, "plus ordinary mechanical skill", by combining in one structure elements separately old in the prior art.

Apparently recognizing that the defendant was attempting to indirectly attack validity, the Court held (p. 656):

> "Observing the rule laid down in *Westinghouse Electric & Mfg. Co.* v. *Formica Insulation Co., supra,* that the prior art may be shown to determine the scope of the patent as against an assignor but not to destroy the grant, it discloses nothing to limit or narrow the scope of the patent."

The defendant was held to infringe. In a concurring opinion, Judge Lowell agreed with this conclusion, although making an *obiter* statement that in his opinion the patent in suit did not involve invention. Assuming the correctness of this *obiter* statement, the decision would of course mean that the estopped defendant could not escape infringement on the ground that its device followed the prior art "plus ordinary mechanical skill", although this might in fact be correct.

This conflict of decisions, with consequent confusion, as to the proper interpretation of this Court's decision in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, is an important reason for granting certiorari.

Point 4.

This is not the place to present a detailed analysis of respondent's various devices and the claims of the petitioner's patents.

However, to indicate that the holding of the Court of

Appeals was directly applied to the facts of the present case, so that it is by no means a moot question that is presented to this Court, a few typical instances may be mentioned of the way in which the Court of Appeals applied its novel doctrine.

One of the claims of the license agreement is Claim 6 of the Cohen Patent No. 1,944,922 (R. 366), reading as follows:

> "6. A heating element for cigar-lighters comprising a spiral coil of high resistance wire; a pin to which the inner end of the wire is secured; a mica plate having a hole adapted to snugly fit said pin, the spiral coil being supported on said mica plate; a supporting plate having a passage for the pin substantially larger than the diameter of the pin and having a dished portion adapted to snugly fit said mica plate; and means for holding the mica plate in said dished portion to space the pin from the edge of said passage in the supporting plate to electrically insulate the pin from said supporting plate."

In holding that this claim was not infringed by one of defendant's devices, the prior Zecchini Patent No. 1,437,701 (R. 388) was relied upon by the Court.

The opinion (R. 620) specifies three particulars in which the Zecchini patent was different from the Cohen patent of the license:

(1) The claim specified a mica plate, the function of which is to reflect heat back through the open coils of the igniter resistance coil to the cigar held thereagainst. Respondent used a mica plate having the same function. The Zecchini patent showed an insulating washer of no specified material which under no circumstances could reflect heat back through the igniter coil, because the convolutions of the latter were themselves filled with insulating material.

The Court held (R. 621) that "defendant's choice of mica was merely the exercise of mechanical discretion",

and as we understand the Court's reasoning the claim could not be infringed in this respect by defendant's use of a mica plate in the combination, because the prior Zecchini patent showed an insulating washer, and the Court held that it would be mere "mechanical skill" rather than "invention" to use mica in distinction to any other insulation. Obviously, the prior art was of no use in construing the meaning of the "mica plate" of the claim, for Zecchini did not disclose a mica plate.

(2) The Cohen patent and the defendant used a metal supporting plate "having a dished portion adapted to snugly fit said mica plate" the latter in turn acting to support the igniter coil against inward pressure. The prior Zecchini patent had an insulating washer behind the igniter coil, but this washer did not snugly fit against a dished portion of a metal plate, nor, in fact, was the insulating washer supported in any way save by a very small shoulder on a pin. Thus the assembly in the Cohen patent and the defendant's device on the one hand, and that of the prior Zecchini patent on the other, were quite different.

The Court held (R. 621):

> "* * * Any electrical mechanic building a device following Zecchini and finding it possible mechanically to dispense with one of Zecchini's washers might do so without infringement of a later patent which does the same thing."

Here, again, we find the Court using the prior art, not to determine the scope of the claim, which would be proper, but to hold that there can be no infringement because the defendant followed the prior art plus what the Court considered "mechanical skill".

(3) The Court also held non-infringement on the basis that the "dished portion" of the metal supporting plate for the mica disc in defendant's construction was deeper and more cup-shaped and approached Zecchini

more nearly than it did the "dished portion" of the supporting plate of the Cohen patent. Any such slight difference as this is merely one of degree, the supporting function being the same in the defendant's device as in the Cohen patent. There was no occasion to construe the claim in this respect.

We thus find the Court of Appeals clearing the defendant from its obligations under the license agreement on the basis that defendant's construction follows the prior Zecchini patent *plus "mechanical skill"*, although Zecchini does not disclose the mica disc nor the assembly as set forth in the Cohen claim and used by defendant.

The Court throughout its opinion emphasized the point that in its judgment respondent's devices did not infringe on the ground that they followed the prior art *plus "mechanical skill"*. For example, in connection with certain spring portions giving frictional engagement between the parts of the cigar lighter, the Court held (R. 617):

> "* * * Every mechanic appreciates full well the efficiency of spring fingers as agencies to retain an inserted part. Defendant's reference to such members used for holding chimneys on lamps is pertinent."

In other words, the Court held that non-infringement could be shown on the ground that since spring portions which were important elements of certain claims for the cigar lighter were old in holding chimneys, it would be mere "mechanical skill" to use the same in the cigar lighter.

In concluding the discussion of the particular patent there in question, the Court stated (R. 618):

> "Cohen's device is simpler than Zecchini, and the same is true of the lighter of defendant complained of. But we think the desired simplicity merely the development of mechanical skill and, after considering all the evidence, conclude that everything done by defendant in this respect was suggested by the prior art."

It is believed that further illustrations need not be given at this time to make our point clear that the Court of Appeals applied its incorrect doctrine to the facts of this case, and we submit did grave injustice to petitioner by relieving the respondent from its obligations under the contract, on the ground that respondent's devices followed the prior art *plus "mechanical skill"*.

Conclusion.

It is respectfully submitted that the petition in this case should be granted in order that this Court may decide the very important question as to the proper use of the prior art to be made by a defendant estopped from denying the validity of a patent. While it is believed that the novel doctrine of the Court of Appeals is contrary to the spirit of the holding in *Westinghouse Co.* v. *Formica Co.*, 266 U. S., 342, it is respectfully urged that a clarification of the doctrine (particularly in view of the conflicting decision in *West* v. *Premier Register Table Co.* (C. C. A. 1) 27 Fed. (2d) 653) and a correction of what is believed to be an unsound holding by the Court of Appeals would be greatly to the public benefit.

Respectfully submitted,

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January 27, 1941.

FEB 13 1941
CHARLES ELMORE CROPLEY
CLERK

IN THE

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CASCO PRODUCTS CORPORATION,
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SINKO TOOL AND MANUFACTURING COMPANY,
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REPLY TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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REPLY TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Respondent appears to have missed the fundamental point of the petition for certiorari.

Of course the decision of the Court of Appeals does not specifically hold that the licensed patents are invalid, but our point is that the effect of the decision in holding (R. 616) that there can be no "infringement" if a licensee's device follows the prior art *plus mechanical skill*, even though the claims of the licensed patent read upon such device, is to "destroy the patent and defeat the grant", which is precisely the thing which this Court in *Westinghouse Company* v. *Formica Company*, 266 U. S. 342, 351, held could *not* be done.

It is the novel "corollary rule" of the Court of Appeals which we submit would be detrimental to the public interest, and which is in conflict with *West* v. *Premier Register Table Co.* (C. C. A. First), 27 Fed. (2d) 653, and contrary to the underlying principle of the *Formica* case.

This Court's decision in the *Formica* case (266 U. S. 342) is discussed on pages 5 and 6 of respondent's brief. In that case Claims 11 and 12 were literally anticipated by the Baekeland patent discussed on page 347 of the decision, except that the Baekeland patent apparently did not specify whether the articles were planiform or non-planiform, but the application for the O'Conor patent there in suit, as well as the prior art, showed the equivalency in this art of planiform and non-planiform articles (p. 346).

Under these circumstances, as pointed out on pages 12 and 13 of petitioner's brief, this Court held that the two-step process was the only new thing over the prior art and therefore construed the claims to include the two-step process.

On page 7 of its brief, respondent states that "Petitioner's Claims, at Face Value, Are Not Infringed", and makes the further statement on page 5 "that even a cursory examination of the claims with the devices charged to be infringed will reveal that, even without reference to the prior art, they do not read on the accused devices."

If these statements were correct, there would have been no occasion for the Court of Appeals to refer to this Court's decision in the *Formica* case or to set forth its "corollary rule" (quoted on page 3 of our petition) to the effect that if a defendant's device followed the prior art, plus mechanical skill, there would not be "infringement" even though the claims read upon the accused device.

We deny the correctness of respondent's statement that the claims of the licensed patents do not read on defendant's accused devices.

One of the accused devices has been specifically discussed. On page 8 respondent states that its device "does not have 'a supporting plate' with 'a dished portion adapted to snugly fit said mica plate'," as provided in the claim quoted on page 17 of petitioner's brief; and respondent further states, "The accused device has a hemispherical cup in which is loosely mounted a curved mica spider."

We need merely call attention to an illustration of this accused device as shown on page 213 of the record. The supporting plate is the plate 31, flat in its central portion, and having a curved and perforated peripheral portion, which thus makes the "dished portion". The mica plate is 21, having a flat central portion and a perforated curved peripheral portion conforming to the dished portion of the plate 31. The mica disk 21 and the supporting plate 31 are held in close engagement with each other by the flanged portion 20a on the pin 20.

It is submitted that the respondent is clearly incorrect in its statement that the accused device does not have "a supporting plate" with "a dished portion adapted to snugly fit said mica plate".

Respondent (page 8) paints an exaggerated picture in its allegation that there are "over seventy-five separate questions of infringement" involved in this case. To be exact, there are five accused constructions and six patents of the license which are involved, and in the Court of Appeals there was no difficulty in illustrating the constructions of the patents, typical claims and respondent's devices on five sheets of drawings.

The double time allowed for argument in the Court of Appeals was on account of the fact that three appeals were considered together. The petition herein relates to only one of the three appeals.

The real question in this case is one of law, and when the correct rule of law is determined, its application to the facts of this case is simple.

It is respectfully urged that the petition should be granted.

Respectfully submitted,

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Counsel for Petitioner.

February 11, 1941.

Receipt of three copies of this Reply to Respondent's Brief is acknowledged this 12 day of February, 1941.

(Sgd) Bernard A. Schroeder
Counsel for Respondent.

FEB 8 1941
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1940.

No. 725

CASCO PRODUCTS CORPORATION,
Petitioner,

vs.

SINKO TOOL & MANUFACTURING COMPANY,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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February 7, 1941.

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To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

SUPPLEMENTAL STATEMENT OF THE CASE.

In reading petitioner's "Summary Statement of the Matter Involved" one might be led to believe that the District Court and the Court of Appeals for the Seventh Circuit have failed to give effect to the rule that a licensee under a patent is estopped to deny validity, and that these Courts have held petitioner's patents invalid. This is not the case.

The Courts did not pass on validity, because of the estoppel, and did not hold any of the *licensed* patents invalid. The Courts held it was clear that there was no infringement.

The size of the task imposed upon the District Court and the Court of Appeals for the Seventh Circuit is apparent by reference to the Bill of Particulars (Rec. 31 and 32). There are six licensed patents and forty different claims relied upon in those patents. Some of the claims are charged to cover many different devices of defendant; for example, claim 17 of Patent No. 1,710,531 is alleged to cover seven different types of cigar lighters of defendant. Over seventy-five separate questions of infringement had to be passed upon by the District Court and the Court of Appeals.

In a rather long and detailed discussion of the various claims and devices the Court showed clearly that not one of the claims, taken at its face value, could be read on the devices (with the exception of one admitted by defendant) and that in view of the close prior art none of the claims could be broadened by judicial construction to include respondent's devices in its scope (Rec. 614, 625).

When the suit was originally filed to enforce the price-fixing clause of the license, a motion was made for a preliminary injunction and the motion was granted after a very brief hearing by the District Court. The Court of Appeals, after the matter had been briefed and argued fully, went into each of the many questions of infringement fully and held that the District Court had abused its discretion in granting the injunction. In order to give plaintiff full opportunity to show infringement, the Court of Appeals, although it had gone into the question of infringement exhaustively, sent the case back to the District Court with the statement that nothing in its decision "shall be construed by the District Court as a final adjudication upon the merits of the existing controversies as to infringement, the proper interpretation of the limitations of the patents involved, or the applicability of the prior art".

On page 2 of the present petition for writ of certiorari, petitioner states that the District Court dismissed the bill "upon the ground that the Court of Appeals had settled the question of infringement on the appeal from the preliminary injunction". We submit that this is not an accurate characterization of the District Court's work. The case was transferred by the District Judge who had granted the injunction to another Judge of the same Court. The trial lasted nearly a week, exhaustive briefs were filed, and the Court in its decision said:

> "It is true that in the opinion of the Court of Appeals it was said that it had refrained from passing finally upon the merits of the controversy, that certain of the prior art was not considered and that nothing in the opinion should be construed as a final adjudication upon the merits of the existing controversies as to infringement, but nothing in the way of evidence has been presented to me that was not before the Appellate Court.
>
> "I, therefore, hold that defendant does not infringe plaintiff's said patents and that its complaint should be dismissed." (Rec. 256.)

Petitioner then appealed, lengthy briefs were filed, and the case was finally argued, the court allowing twice the usual time for oral argument. That the Court of Appeals again went into the question of infringement minutely is clear from its fourteen page opinion (Rec. 614).

Petitioner states that the main issue was how the prior art might be properly used in determining whether defendants' devices came within the scope of any of the claims. We submit that this issue was fully decided by this Court in *Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342, and that the Court of Appeals merely followed the decision of this Court in that case.

Opinions of the Courts Below.

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division is not reported in the Federal Supplement but is in 42 U. S. P. Q. 498. A copy appears at pages 255-257 of the record.

The opinion of the Circuit Court of Appeals for the Seventh Circuit is not yet reported in the Federal Reporter but is in 47 U. S. P. Q. 484. A copy appears at pages 614-628 of the record.

The earlier opinion of the Court of Appeals on the preliminary injunction matter is reported in 89 Fed. (2nd) 916.

ARGUMENT.

Petitioner's prayer for writ of certiorari reads as though the Court of Appeals had held the licensed patents invalid, while as a matter of fact, the Court only held those patents invalid which were not included in the license agreement. The patents under which respondent was licensed were held not infringed; and we submit that even a cursory examination of the claims with the devices charged to be infringed will reveal that, even without reference to the prior art, they do not read on the accused devices.

Respondent complains that defendant in proving that it merely followed the prior art (primarily its own earlier patents), plus mechanical skill, was attacking the validity of the licensed patents. Certainly it was not necessary for defendant to prove that the accused devices were exactly like the prior art. It had the right to make whatever improvements it desired so long as it did not invade the proper scope of the licensed patents. Surely such a showing could in no way affect the validity of the patents.

The Formica Case.

In *Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342, this Court quoted with approval a decision in the Sixth Circuit by Judge Lurton, including the following:

> "The Court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger."

The essential facts in the Formica case appear on pages 343-354 of this Court's decision (Vol. 266).

The patent disclosed two quite different new things. First, it disclosed a new and very valuable two-step process for making molded articles out of fibrous material and bakelite. This process was not used by the Formica Company.

The patent also described the manufacture of a non-planiform article, *i. e.*, any article not perfectly flat, out of fibrous material and bakelite by a process broad enough to include either the new two-step process or the old one-step process. Claims 11 and 12, which were sued on, covered this broad process of making non-planiform articles, and described precisely what defendant, Formica, was in fact doing.

The prior art showed that it was old to make planiform articles of fibrous material and bakelite resin and it also showed that it was old to make non-planiform articles of fibrous material and other kinds of resin.

Under this state of the art the exact thing described in claims 11 and 12 was new, that is, non-planiform articles had not happened to be made of fibrous material and bakelite resin. Therefore, it is clear from page 354 that when this Court held there was nothing new in the O'Connor process, except the two-step process, it meant that there was nothing patentably new or inventive, but it did not mean that the exact accidental selection of steps was specifically old, for it was not.

Since claims 11 and 12 had in them nothing patentably novel, the Court said it was necessary to read into them O'Connor's two-step idea. When so limited, defendant did not infringe.

Here, therefore, we find a case where the thing actually defined in the claims was new but not inventive, and where the claims, therefore, were limited, beyond their face value, so as to avoid what defendant was doing. In other words, this Court treated the claims precisely as it would

in an infringement suit, refusing to give a decree of infringement on a claim which was plainly invalid for want of invention as it stood.

Petitioner's Claims, at Face Value, Are Not Infringed.

In our present case it was wholly unnecessary for the Court of Appeals to go as far as this Court did in the Formica case, because none of the claims in the licensed patents read on the accused devices. It was unnecessary for the Court to read anything into the claims to hold no infringement. The prior art was used, as is clear from the decision of the Court of Appeals, to show what the patentable features of the claims are, and that structural features specified in the claims could not be disregarded. As in the Formica case, the claims were held not to be infringed and their validity was not adjudicated.

In determining the question of infringement the Court very properly first looked to see what the invention was in each claim and then determined whether the accused device used that invention or was merely following the prior art plus mechanical skill. This in no way adjudicated the validity of the claim.

Petitioner's "Point 2" is based on the fallacious theory that defendant's showing of the origin of its accused device is an attack upon the validity of the patent. That contention cannot be established.

Petitioner fears that the application of the rule in the Formica case will make patent owners reluctant to grant licenses. We submit, on the other hand, that an abandonment of that established rule would place a licensee at the mercy of a patent owner and would make it dangerous to take an ordinary license. Certainly respondent in this case has had no "immunity from patent infringement suits" by petitioner, and the license has served merely to

prevent defendant from making the easier defense of invalidity.

Under "Point 3" of the petitioner's brief, an attempt is made to show a conflict between the decisions in the present case and a wholly unrelated case in the Second Circuit, *i. e., West* v. *Premier Register Table Co.*, 27 Fed. (2d) 653. We see no conflict. Both cases involved an estopped defendant and, although it was hard to see invention in the patents, none of the patents was held invalid in view of the decision of this Court in the Formica case.

The Claim Discussed by Petitioner.

We agree with respondent's remark under "Point 4" that this is not the place for a detailed analysis of respondent's devices and petitioner's patents, especially when over seventy-five separate charges of infringement are involved in the appeal.

However, concerning claim 6, set out on page 17 of petitioner's brief, the accused device does not have "a supporting plate" with "a dished portion adapted to snugly fit said mica plate".

The functions of the parts discussed by petitioner do not necessarily follow from elements specified in the claim; they are old in the prior art (Rec., 420 and 472), and they were not shown to be present in respondent's device. The accused device has a hemispherical cup in which is loosely mounted a curved mica spider. The Court of Appeals looked for the invention and said (Rec. 622):

> "If Cohen's invention lay in his specification of a dished plate and the consequential easy assembly, clearly, defendant's device does not infringe, for it does not include this element, but rather follows everything that Zecchini taught. We said in the former appeal that the scope of Cohen's invention was extremely limited and that upon the evidence then submitted infringement was not clearly shown. We believe the present record shows no infringement."

CONCLUSION.

The validity of petitioner's licensed patents has not been adjudicated because a licensee is estopped to deny validity. The prior art was used to show non-infringement in accordance with the decision of this Court in the Formica case. Respondent's proof that the accused devices were following the prior art, plus mechanical skill, did not in any way put the validity of the licensed patents in issue.

Because of the estoppel to deny validity in this case, the Court was obliged to consider separately the question of infringement of the many claims of the licensed patents as applied to each of the accused devices. This laborious task was performed twice by the Court of Appeals for the Seventh Circuit and by the District Court after final hearing. Those Courts agreed that the claims, taken at their face value, are not infringed, and, when construed in view of the prior art, non-infringement is manifest.

As there is no conflict between the decisions of the Courts in the various circuits, and because there is no new question of law or public interest involved, it is urged that the petition for writ of certiorari be denied.

Respectfully submitted,

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February 7, 1941.

Receipt of 3 copies of the above brief is acknowledged this ..... day of October, 1941.

.....
Of Counsel for Petitioner.